

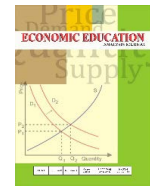


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Indications of Creeping Acquisition through Rights Issues in Indonesian Non Financial Companies during 2018-2021

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Abstract

Creeping acquisition (CA) which happens all around the world could harm the market. This research discusses CA activities through rights issue (RI) transactions in the Indonesian capital market for publicly listed non-financial institution companies during 2018 – 2021. The method used in this study is a quantitative method with a cross sectional design to. The regressions used are linear and logistics, using 180 purposive samples of entities. The results of the study show that rights issuing companies experienced greater changes in investor share ownership, so do the business group rights issuing companies. Rights issuing companies experienced relatively large changes in investor ownership, namely >3% in the year prior to the issuance of the rights issue, thus increasing the company's intention to issue rights. But when viewed from the investors activities such as selling or capital expanding who loss >3%, it does not increase the company's intention to issue rights in the following year. RI with non-specific objectives does not have a stronger impact on changes in investor's share ownership of >5% in the company.

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INTRODUCTION

A lot of studies had been held on Mergers & Acquisition and its various types. M&A also have their flaws such as hostile takeovers (Salim, 2022) and creeping acquisitions known as CA (Jetley & Mondal, 2015). Studies show M&A frequently take place in a setting where there is a significant information gap between the investors and managers of the target and the purchasing parties. This asymmetries can result in some mergers failing (Letaifa, 2017). Acquisition itself has its pros and cons. Acquisitions are usually competitive with time, often exacerbated by competitive bidding situations, which force the acquirer to make decisions on the basis of limited information and can create biases in decision making (Company, 2013). Through reviewed regulations, rights issue is a way many firms use through placing in preference to get equity (Tuli, 2016). The rights issue itself is intended by the company to obtain additional capital that is used to develop the company's business so that investors will perceive the company as having a promising value in the future (Rohit et al., 2016). Some tendencies following CA are the type of companies and their rights issuing purposes. Business group companies are more likely to have the intention to increase their share ownership through a rights issue. In addition, investors tend to conduct CA (>5%) on companies with non-specific rights issue objectives (Jetley & Mondal, 2015).

Study shows that, Indonesia employs a network-oriented governance system where share ownership is concentrated (family-owned businesses) and block-holders are dominant. The incidence of a hostile takeover is possibly the best indicator of the corporate control market. Different from UK, that a market-oriented system has a dispersed share ownership profile within a business, which inhibits the formation of blockholders. Additionally, the UK has a rule that forbids post-bid takeover defense, indicating a leniency toward the possibility of an aggressive takeover (Salim, 2022). It is presumable that businesses

have a choice between a hostile acquisition and a friendly merger. In a hostile acquisition, the bidder company gains additional value but pays takeover expenses (Ebina et al., 2022).

The CA actors based on the studies, crossed the 5% threshold and made massive purchases on the open market. Usually the acquirer will be able to accumulate up to 10% of the target's shares in a 10-day accounting period (Brunner, 1991). CA allows investors to increase their company's shares to the maximum amount allowed under applicable securities regulations without violating regulatory rules (Jetley & Mondal, 2015). Some studies suggest that a free market for companies control where unregulated CA can thrive, would make the market more vibrant. This contradicts disciplinary theory, where CA represents the optimal tool for curbing agency costs in large corporations by penalizing management teams who are unable to maintain a high enough share price to avoid a strike (Enriques & Gatti, 2014). Investors tend to do CA through rights issue since its discount price (Mateus et al., 2017) and RI does not require an open offer to other investors. On the other hand, if the proportion of ownership of investors decreases because they do not carry out a rights issue, it will certainly have an impact on reducing voting power (OECD, 2007).

The impact of CA can be analyzed by looking at its effect on stock prices during and after CA, its effect on allocative efficiency in the market for corporate control and the implications of corporate governance. Although the speed of CA is relatively slow, researchers found that 55% of the sample acquirers made acquisitions with an average of 5.87% of their target's voting power (Rosa et al., 2015). The first one is short term impact on stock prices. The direct effect of CA on the target firm's stock price is ambivalent (Mateus et al., 2017). On the positive side CA provides an injection and brings liquidity to the target company. On the other hand, these effects tend to be temporary (disappear as soon as the acquirer stops buying because it has attained the desired level of ownership) and only benefits the share-

holders who sell to the acquirer. CA left some minority market players trapped post-acquisition. The second one is impact on the market for corporate control, some assumptions suggest that a free market for enterprise control where unregulated CA can thrive would make the market more vibrant. This contradicts disciplinary theory, whereby CA represents the optimal tool for curbing agency costs in large corporations by penalizing management teams who are unable to maintain a high enough share price to avoid a strike (Enriques & Gatti, 2014).

This research is also considered important because of the rise of creeping acquisition globally. As in 2015, India noted that corporate actions, namely rights issues that occurred, were activities included in creeping acquisitions (Jetley & Mondal, 2015). Governance in the European Union in 2014 also largely failed to address the problem. As a result, public companies in Europe can easily become CA. In the US, CA was rampant in the 1970s and early 1980s, but was brought under control after the 1980s. This was also supported by the passage of the Williams Act (Enriques & Gatti, 2014). In China, CA are permitted for acquirers holding 30% or more as long as it does not exceed 2% over a 12-month period. Takeover regulations in Hong Kong and Singapore an acquirer is allowed to conduct a creeping acquisition if the acquirer already owns more than 30% of the voting rights in a company, for Hong Kong no more than 2% of the shares during a 12 month period and for Singapore, no more than 1% during 6 month period without triggering the mandatory bid rule (MBR). If the acquirer violates this limit, the obligation to make an open offer must be carried out by the company (Varotttil & Wan, 2021).

Due to the importance of reducing CA activities, countries in the world have implemented regulations regarding restrictions on buying rights issues, such as in India, where these regulations are regulated by the Securities and Exchange Board of India (SEBI). In Singapore itself, through The Singapore

Code on Take Overs and Mergers, it is stated that every shareholder who owns >5% of the company's shares is considered an associate with the potential to have a conflict of interest. In addition, each shareholder who owns $\geq 30\%$ shares get de facto effective control rights over the company. In Europe itself adheres to The Takeover Code which states that share ownership of $\geq 20\%$ (parent, subsidiary, company affiliate) has the potential for cooperation to gain control of a company to thwart joint decisions of a company. While in the United States there are William Act regulations. The various regulations regarding creeping acquisitions in the above countries are guided by the William Act and The Takeover Code but adapted to the situation of the country (Varotttil & Wan, 2021). In Indonesia itself, it has regulated rights issues or Preemptive Rights in the latest regulations, namely the Regulation of the Financial Services Authority of the Republic of Indonesia Number 14/POJK.04/2019 concerning Amendments to the Regulation of the Financial Services Authority Number 32/POJK.04/2015 concerning Additional Capital for Public Companies by Providing Pre-emptive Rights. Where rights issue or Pre-emptive Rights, hereinafter abbreviated as HMETD, are rights attached to shares that provide the opportunity for the relevant shareholder to buy shares and/or other equity securities either convertible into shares or giving the right to buy shares, before being offered to another party (Otoritas Jasa Keuangan Republik Indonesia, 2019). But there are only a few of researchs which related to creeping acquisition through rights issue in Indonesia such as *Pengaruh Pengumuman Right Issue Terhadap Tingkat Keuntungan Dan Likuiditas Saham Di Bursa Efek Indonesia* (Nugraha & Daud, 2003), *Analisis Dampak Pengumuman Right Issue Terhadap Abnormal Return Dan Likuiditas Saham Berdasarkan Tujuan Penggunaan Dana* (Sedianingtias, 2022), *The Effect of Company Size, Leverage and Return on Asset on Earnings Management: Case Study Indonesian* (Rusdiyanto & Narsa, 2020), *Perusahaan Yang Melakukan Right Issue Right Issue Di Bursa Efek*

Jakarta Periode 2000-2003 (Sukwadi, 2006) and *Analisis Reaksi Pasar Terhadap Peristiwa Right Issue Berdasarkan Tujuan Penggunaan Dana (Studi Pada Bursa Efek Indonesia)* (Yusha, 2017). Until now there are no regulations of any kind governing the maximum limit of share ownership either by an individual or an institution as a creeping acquisition limit that has the potential to have a conflict of interest. (Otoritas Jasa Keuangan Republik Indonesia, 2019).

One way to assess whether investors are making creeping acquisitions, can be seen from the rights issue transactions (Jetley & Mondal, 2015).



Figure 1. Rights issue of Non-Financial Institution Companies

Source: Processed Data (TICMI), 2023

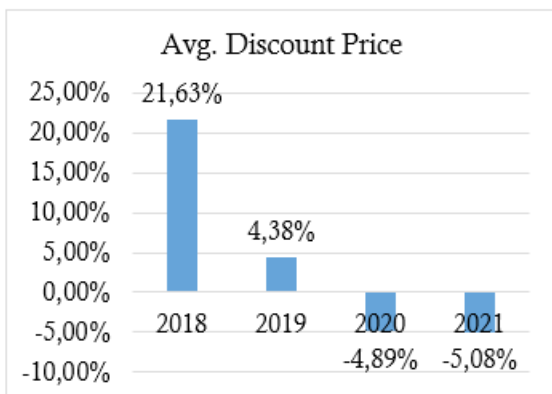


Figure 2. Average Discount Rights Issue Shares in Indonesia

Source: Processed Data (TICMI), 2023

In Indonesia, pre-emptive rights include corporate activities that are often carried out. It has been proven that during 2018-2021 there were 155 rights issue transactions for public

companies, of which there were 75 rights issue transactions for non-financial institutions which each year show an increasing trend. Among them were 16 companies that conducted rights issues in 2018, 14 companies in 2019, 7 companies in 2020, and 38 companies in 2021.

The rights issue can be offered at a cheaper or discounted price compared to the stock price on the cum date. However, it can also be offered at a higher price. The picture above is the characteristics of stocks in Indonesia when viewed from an average discount rights issue perspective from 2018 to 2021, where the rights issue prices in 2018 and 2019 did not experience a discount, even the exercise price exceeded the market price on the cum-date. However, in 2020 and 2021, the exercise price will be discounted by 4.89% and 2.08% from the market price. This explains that the price of rights issue in Indonesia is still much more expensive than in the United States, where the average discount reaches 20% (Cronqvist & Nilsson, 2004).

This research is concerned with the theoretical model related to the flotation method regarding how to issue additional equity based on the rights issue issuance costs and the expectations of shareholders taking, namely the extent to which existing shareholders participate in rights issues (Eckbo & Masulis, 1992). In India, Investors conduct CA (> 5%) in companies with non-specific objectives and also investors conduct CA more often in business group companies rather than in stand-alone companies (Marisetty & Subrahmanyam, 2010). And also proven that the price reaction of rights issue is significantly more negative for firms with a family group affiliation compared to firms with no family group affiliation (Setia-Atmaja & Suthiono, 2022). CAs are frequent and economically significant, over the sample period being nearly 40% of the total formal takeover bids and regulatory schemes lead to a change of control, CA tends to be higher when schemes and expropriations are lower (Rosa et al., 2015).

Based on the previous discussion that has been developed, the hypothesis in this study is formulated as follows:

H1A: Rights issuer companies experienced a greater increase in investor shareholding compared to non-rights issuer companies in the same year.

H1B: Rights issue companies that are members of a business group experience a greater increase in investor share ownership after the rights issue compared to rights issue companies that stand alone.

H2A: Investors of the rights issue company experienced a relatively large reduction in ownership in the year prior to the issuance of the rights issue. This means that companies that lose their shareholdings from investors are more likely to conduct rights issues in subsequent years.

H2B: Companies in which investors have experienced absolute losses are more likely to be motivated to use a rights issue with the aim of trying to increase their shares than companies in which investors have experienced relatively smaller reductions in ownership.

H3: Issuance of rights issues that have non-specific objectives will be more strongly correlated with investor share ownership after the rights issue.

This study aims to find out whether there are indications of creeping acquisition in publicly listed non-financial companies in Indonesia during 2018 to 2021, whether rights issues affect investors' share ownership in publicly listed non-financial companies in Indonesia, whether rights issue affects investors' share more common in business group or stand alone company, whether larger changes in investors' ownership namely >3% affecting the company's intention to issue RI on the following year. To find out whether rights issue with non-specific objectives have stronger effect on changes of >5% of investors' share ownership. The method chosen to conduct this research is quantitative with cross-sectional method with logistic regression and linear regression. The writing systematics consist of Introduction, Literature Review, Research

Methods, Discussion and Closing.

METHODS

The data source for this research uses secondary data. Where secondary data is obtained by processing existing data from IDX, TICMI, regulations in Indonesia, and sample company financial reports taken from 2018 to 2021. Data processing was carried out using existing secondary data and then regression was performed on each variable. Data processing performed for each variable are increase in investor share ownership, companies' intention and, investors' share change in >5% ownership.

Regression was carried out with 3 models following the 3 variables above. Where, the increase in investor's share ownership is analyzed using linear regression, the companies' intention is analyzed using logistic regression, and the investors' share change in >5% ownership is analyzed using logistic regression.

Samples were chosen by purposive sampling method which were two types of samples used (main samples and comparison samples). First, the main samples' criterias are rights issuing company from 2018-2021; the company must be registered on IDX; the company only issues rights issue which does not issue warrants and convertible bonds; non financial institution company; companies are divided into business groups, stand alone, foreign and government; categorizes the industry into three namely services, manufacturing, and agriculture; company samples for comparison of rights issuing companies. Second, as for the criteria for the sample of comparison companies are companies that do not conduct rights issues between 2018-2021; only companies with domestic ownership, exclude foreign owned companies because there is little possibility of using a rights issue to increase the shares of the company concerned. In addition, it also excludes foreign-owned companies because investors' intentions in foreign companies tend to be different from investors

in Indonesian domestic companies owned by the government. (Jetley & Mondal, 2015); identify the type of stand-alone company and group business; must be categorized into the same three industries namely services, manufacturing and agriculture; the company's revenue has a minimum of 40% of the company's sample rights issue, for at least two years from 2018-2021.

With the sample criteria above, the total samples are 180 companies, which 30 companies as core samples (rights issue companies) and 150 comparison samples (non rights issue companies).

To carry out linear regression and logistic regression of this study, these are the operationalization of the variables used in the study. First, based on the model, the dependent variables of this research are Increase in investor share ownership, companies' intention and, investors' share change in >5% ownership. The main independent variables are as follows, on model 1 there are β_3 , the coefficient of the company conducting a rights issue or not in the 2018-2021 period and the β_7 coefficient shows the interaction between rights issues and group companies in Indonesia. On model 2 there is β_1 , change in total share ownership of investors for the year before the rights issue. On model 3 there is β_9 the coefficient for company-specific rights issue issuance. For the control variable there are $\ln(\text{asset}_{t-1})$, $\ln(\text{Debt/Equity})_{t-1}$, taxes, ROE, company industry, investor losses in the year before the rights issue, and stock discount price. Second, In assessing the variable increase in investor share ownership due to this rights issue, the researcher uses the following model:

Model 1

$$\Delta(Ps_changet) = \alpha_1 + \beta_1 \ln(\text{asset}_{t-1}) + \beta_2 \ln(\text{Debt/Equity})_{t-1} + \beta_3 (\text{Indicator for Rights issue}) + \beta_4 (\text{Indicator after Omnibus Law Law}) + \beta_5 (\text{Return on Equity}) + \beta_6 (\text{Indicator for Indonesian Business Group Firm}) + \beta_7 (\text{Interaction between Business Group and Rights issue}) + f_1 (\text{Industry Indicator}) + \partial t$$

The dependent var of model 1 is the change in the investor's share ownership, namely $\Delta(Ps_change\ t)$. Meanwhile, the independent variables from model 1 are $\ln(\text{asset}_{t-1})$ which expected, the change in ownership will be lower for larger companies. Higher $\ln(\text{Debt/Equity})_{t-1}$ may be perceived as riskier, and share purchases for minority investors may also be lower (Nukala & Prasada Rao, 2021).

Model 2

$$y_i = \alpha + \beta_1 * (\text{measures of prior loss of investor shareholding}) + \beta_2 \ln(\text{asset}_{t-1}) + \beta_3 \ln(\text{leveraget}_{t-1}) + \beta_4 (\text{Return on Equity})_{t-1} + f(\text{industry indicators}) + \epsilon_i$$

The dependent variable of model 2 is companies' intention, which is categorized as Y_i , is a special indicator variable to identify companies issuing rights issues, where companies issuing rights issues get code "1", and non rights issue companies get code "0".

Model 3

$$Y = f = \alpha_2 + \gamma_1 \ln(\text{asset}_{t-1}) + \gamma_2 \ln(\text{Debt/Equity})_{t-1} + \gamma_3 (\text{discount}) + \gamma_4 (\text{Indicator After UU Omnibus Law}) + \gamma_5 (\text{Return on Equity}_{t-1}) + \gamma_6 (\text{Indicator for Business Group Frims}) + \gamma_7 (\text{Indicator for Prior Investor Shareholding between 15 and 25}) + \gamma_8 (\text{Indicator for Prior Investor Shareholding between 25 and 45}) + \gamma_9 (\text{Indicator for Specific Rights issue Objective}) + f(\text{industry indicators}) + \partial_2$$

The dependent variable is the indicator whether there are >5% change in investor in a year after right issue. Another independent variable is discount which measured by calculating the difference between the stock price on the ex-rights date and the issue price and the price on the ex-rights date.

RESULTS AND DISCUSSION

With total sample of 180 companies, the following is the result of descriptive statistics of all variables for model 1, which dependant variable is change in investor's share ownership or we used term as delta share change.

Table 1. Descriptive Statistics Model 1

	N	Minimum	Maximum	Mean	Std. Deviation
Delta Share Change	180	-0.6858	0.9062	0.0453	0.1797
Ln Aset t-1	180	22.4420	33.4737	29.6816	1.5444
Ln DER t-1		-7.2392	3.5097	-1.1505	1.9200
Indikator rights issue	180	0.0000	1	0.1700	0.3740
Indikator After Omnibus Law	180	0.0000	1	0.3333	0.4727
ROE t-1	180	-13.8358	4.9874	0.0801	1.1622
Indicator for Indonesian Business Group Firm	180	0.0000	1	0.9670	0.1800
Interaction between Business Group and Rights Issue	180	0.0000	1	0.1600	0.3690
Manufacture	180	0.0000	1	0.5300	0.5000
Agriculture	180	0.0000	1	0.0300	0.1800
Service	180	0.0000	1	0.4300	0.4970
Valid N (listwise)	180				

Source: Processed Data, 2023

It can be concluded that for (Ln Assets t-1) the minimum value shows 22.4420 which is owned by the company PT Zebra Nusantara Tbk (ZBRA) which is a domestic service industry and only has two subsidiaries, the maximum value shows 33.4737 which is owned by the company PT Astra International Tbk (ASII) which is a foreign owned manufacturing conglomerate company with large assets because it has subsidiaries in the fields of heavy equipment, mining, agribusiness, infrastructure, information technology, property and so on.

For (Ln DER t-1) the minimum value shows -7.2392 which is owned by the company PT Duta Pertiwi Tbk (DUTI) the domestic service industry which has the lowest DER because it is committed to maintaining a consolidated DER, the maximum value shows 3.5097 which is owned by the company PT Bakri Sumatra Plantations Tbk (UNSP) for the domestic agricultural industry for paying off maturing debts of IDR 241.932 billion. The minimum value rights issue indicator shows 0

owned by all companies that do not issue the most rights issues in the agricultural industry. The maximum value shows 1 which is owned by all issuing rights companies mostly owned by the manufacturing industry.

Looking at the relationship between the tax regime since the existence of the Omnibus Law in 2021, where the minimum value shows 0 owned by all main sample companies and comparison samples from 2018 to 2020 with the largest change in share ownership in PT Visi Telekomunikasi Infrastruktur Tbk (GOLD) of 18.7500%. The maximum value shows 1 owned by all the main sample companies and the comparison sample in 2021 where the largest change in ownership is in PT Zebra Nusantara Tbk (ZBRA) due to the acquisition of PT DNR with a t-1 share ownership change of 70.8100%.

For the indicator (ROE t-1) the minimum value shows -13,8358 owned by the domestic service industry company PT Air Asia tbk (CMPP), which in 2019 posted a loss of IDR 82B because operating expenses of IDR

3T exceeded revenue. The maximum value shows 4.9874 PT Bakri Sumatra Plantations Tbk (UNSP), the agricultural industry, although it recorded a loss of IDR 1.85 trillion in 2018 but also reduced equity to – IDR 1,269.8 B.

For business group indicators in Indonesia, the minimum value shows 0 which is owned by all stand alone companies, most are owned by manufacturing industry companies, the maximum value shows 1, which is owned by all business group companies, most are owned by manufacturing industry companies and the average value shows 0.9670 with a standard deviation of 0.1800.

While the interaction between business groups and rights issue companies shows a minimum value of 0 owned by all issuing rights companies and are stand-alone companies, companies that do not issue rights issues and are business group companies and companies that do not issue rights issues and are

stand-alone companies. alone where the most are in the service industry, the maximum value shows 1 which is owned by issuing rights companies and is the business group most owned by the manufacturing industry.

From the data it can be concluded that there are three types of industries where the manufacturing industry variable shows a minimum value of 0 which is owned by a company other than the manufacturing industry, the maximum value shows 1 which is owned by a manufacturing industry company and the average value shows 0.5300. For the agricultural industry, the minimum value is 0, which is owned by a company other than the agricultural industry, the maximum value is 1, which is owned by an agricultural industry. For the service industry, the minimum value is 0, which is owned by a company other than the service industry, the maximum value is 1, which is owned by a service industry company.

Table 2. Descriptive Statistics Model 2

	N	Minimum	Maximum	Mean	Std. Deviation
Rights Issue Indicator	180	0.0000	1	0.1700	0.3745
Delta Share>3% t-3 Indicator	180	0.0000	1	0.1300	0.3412
First Lag of Change in Investor Shareholding	180	-0.6851	0.9065	0.0451	0.1794
Ln Asset t-1	180	22.4423	33.4736	29.6814	1.5447
Ln DER t-1	180	-7.2397	3.5098	-1.1503	1.9203
ROE t-1	180	-13.8248	4.9872	0.0807	1.1620
Manufacture	180	0.0000	1	0.5330	0.5000
Agriculture	180	0.0000	1	0.0300	0.1800
Service	180	0.0000	1	0.4300	0.4970
>-3% Cap Exp Indicator	180	0.0000	1	0.0400	0.1940
>-3% Selling Indicator	180	0.0000	1	0.0700	0.2510
Valid N (listwise)	180				

Source: Processed Data, 2023

Delta share indicator $>-3\%$ t-3, the minimum value indicates 0 owned by all companies with a difference in share ownership $<-3\%$, the most in the manufacturing industry, the maximum value shows 1 owned by all companies with a difference in share ownership $>-3\%$ is mostly owned by the service industry.

For the first lag of change in investor shareholding, the minimum value shows -0.6851 which is owned by the company PT Wahana Interfood Nusantara Tbk (COCO) which is a foreign manufacturing industry and the maximum value shows 0.9065 which is owned by PT Kokoh Inti Arebama Tbk (KOIN) which is a foreign service industry.

For Ln (Assett-1), the minimum value indicates 22.4423 which is owned by the company PT Zebra Nusantara Tbk (ZBRA) which only has two subsidiaries, the maximum value shows 33.4736 which is owned by the company PT Astra International Tbk (ASII) which is a conglomeration of various industries.

Meanwhile, Ln (DERt-1), the minimum value shows -7.2397 which is owned by the company PT Duta Pertiwi Tbk (DUTI) because it is committed to maintaining a consolidated DER, the maximum value shows 3.5098 which is owned by the company PT Air Asia Tbk (CMPP) because it has increased debt on short-term debt in the form of new filings for third party accounts payable 9.38 times, additional related party debt to PT Indonesia AirAsia Extra and Asia Aviation Capital, and a fixed loan facility from PT Bank CIMB Niaga.

For (ROEt-1), the minimum value shows -13.8348 which is owned by the company PT Air Asia Tbk (CMPP) which in 2018 reduced its equity so that it has a negative value, the maximum value shows 4.9872 which is owned by the company PT Bakri Sumatra Plantations (UNSP) also reduced its equity to -Rp 1,269.8 B.

The type of industry itself is divided into three, namely the manufacturing industry with a minimum value of 0 which is owned by companies other than the manufacturing industry, the maximum value is 1 which is

owned by manufacturing industry companies. For the agricultural industry the minimum value indicates 0 which is owned by a company other than the agricultural industry, the maximum value indicates 1 which is owned by an agricultural industrial company the maximum value indicates 1. Service industry minimum value indicates 0 owned by companies other than the service industry, maximum value indicates 1 owned by service industry companies.

Loss of share ownership $>-3\%$ is the impact of two activities, namely capital expansion and selling. For indicators $>-3\%$ capital expansion, the minimum value indicates 0 owned by a company that does not carry out capital expansion but sells, the maximum value indicates 1 owned by a company that sells but does not carry out capital expansion. As well as for indicators $>-3\%$ selling, the minimum value shows 0 owned by a company that does not sell but does capital expansion and the maximum value show 1 company that does selling but does not do capital expansion.

Model 3, which dependant variable is investors' share change in $>5\%$ ownership, the result of descriptive statistics of all variables for model 3 can be seen in Table 3.

From Table 3 with a sample of 30 rights issue issuing companies, it can be concluded that the discount indicator, the minimum value shows -0.6490 which is owned by the company PT Alkindo Naratama Tbk (ALDO) the domestic manufacturing industry with a discount of -64.90% and the maximum value shows 2.7252 which is owned by the company PT Merdeka Copper Gold Tbk (GOLD) is the domestic service industry with a discount of 34.81%.

For the total t-1 share change, the minimum value indicates -0.3949 which is owned by PT Wahana Interfood Nusantara Tbk (COCO) foreign manufacturing industry, the maximum value shows 0.7081 which is owned by PT Zebra Nusantara Tbk (ZBRA) domestic service industry.

For change $>5\%$, the minimum value shows 0 owned by companies with change in

Table 3. Descriptive Statistics Model 3

	N	Minimum	Maximum	Mean	Std. Deviation
Disc	30	-0.6490	2.7252	0.0903	0.6461
Share Change t-1	30	-0.3949	0.7081	0.0673	0.2114
Change >5%	30	0.0000	1.000	0.8000	0.4070
Ln Asset t-1	30	22.4420	31.9550	28.5412	2.2884
Ln DER t-1	30	-6.3539	2.5651	-0.4467	1.6232
ROE t-1	30	-2.1940	2.3502	0.0923	0.7736
Manufacture	30	0.000	1	0.5330	0.5074
Agriculture	30	0.000	1	0.0300	0.1830
Service	30	0.000	1	0.4300	0.5040
Investor Shareholder 15 - 25%	30	0.000	1	0.0300	0.1830
Investor Shareholder >25%- 45%	30	0.0000	1	0.3700	0.4900
Investor Shareholder the rest	30	0.0000	1	0.6000	0.4980
Spesific Rights Issue	30	0.0000	1	0.5000	0.5090
Group	30	0.0000	1	0.9700	0.1830
Valid N (listwise)	30				

Source: Processed Data, 2023

share ownership $\leq 5\%$ owned mostly by manufacturing industry companies, the maximum value shows 1 owned by companies with change in share ownership $>5\%$ are service industries.

For Ln(Asett-1), the minimum value shows 22.4420 which is owned by PT Zebra Nusantara Tbk (ZBRA) with only two subsidiaries, the maximum value shows 31.9555 which is owned by PT Medco Energi Internasional Tbk (MEDC) with the conglomerate subsidiaries in the fields of exploration, service and energy.

For Ln(DERt-1), the minimum value shows -6.3539 which is owned by PT Ristia Bintang Mahkotasejati Tbk (RBMS), the domestic service industry, which in 2017 posted a profit increase of 60% and only had debt of only 0.42 times. The maximum value shows 2.5651 PT Matahari Putra Prima Tbk (MPPA), the domestic service industry, which in 2017 posted a loss of RP 1.24 T and a high DER of up to 3.62 times.

For ROE(t-1), the minimum value shows -2.1940 which is owned by PT Matahari Putra Prima Tbk (MPPA) the domestic service industry with a loss in one year before RI and the maximum value shows 2.3502 which is owned by PT Intikeramik Alamasri Tbk (IKAI) domestic manufacturing industry with total equity in 2017 is IDR -105B.

The type of industry, manufacturing, has a minimum value of 0, namely a company that is not a manufacturing industry, a maximum value of 1, a company that is a manufacturing industry and an average value of 0.5303 with a standard deviation of 0.5074. For the agricultural industry, the minimum value is 0 which indicates industrial companies other than agriculture, the maximum value is 1 which indicates agricultural industrial companies. For the service industry, the minimum value is 0 which indicates a company other than the service industry, the maximum value is 1, namely a service industry company.

Whereas for investor share ownership of 15-25%, the minimum value indicates 0, namely companies with investor share ownership other than 15-25%, the maximum value indicates 1, namely companies with investor share ownership of 15-25% in most service industries and the average value indicates 0.0300 with a standard deviation of 0.1830. For investor share ownership > 25-45%, that is, the minimum value indicates 0 companies with investor share ownership other than 25-45%, the maximum value indicates 1, namely companies with 25-45% investor share ownership in most manufacturing industries. For investor share ownership <15 and >45%, the minimum value indicates 0 companies with investor share ownership other than <15% and >45%, the maximum value indicates 1 company with investor share ownership <15% and >45% mostly in the manufacturing industry.

The company's goals are specific and non-specific, the indicator for companies with specific or non-specific goals, the minimum value shows 0, namely companies with non-specific goals where the majority are manufacturing industries, the maximum value shows 1 company with specific goals where the majority are service industry.

For business groups, the minimum value indicates 0, namely a stand-alone company which is owned by the same number of manufacturing and service companies, the maximum value indicates 1, namely the majority of business group companies are manufacturing industry.

From the Table 4, when viewed from the main coefficient, namely the coefficient β_3 indicator of rights issue companies and the coefficient β_7 of the interaction between rights issues and group companies in Indonesia, it can be concluded that companies in sub model 1 that issue rights issues have a positive effect on changes in investor share ownership of 0.0747. For companies in sub model 2 that carry out rights issues and are group businesses, it has a positive effect on changes in investor share ownership of 0.0954. Whereas in sub model 3 issuing rights companies and are

group businesses have an effect on changes in investor share ownership of 0.0939.

The above shows that the H0 hypothesis is rejected in terms of the β_3 coefficient of the rights issue company indicator. Where it turns out that the company issuing the rights issue experienced a greater change in investor share ownership compared to the non-issuer company's rights issue in the same year. This is consistent with previous research that RI issuing companies experienced greater changes in investor share ownership compared to rights issue non-publishing companies in the same year (Jetley & Mondal, 2015).

In addition, H0 is also rejected, seen from the coefficient β_3 indicator of rights issue companies and the coefficient β_7 of the interaction between rights issues and group companies in Indonesia, where the results show that rights issue issuing companies that are members of a business group experience a greater change in investor share ownership compared to the issuing company stand-alone rights issue (Jetley & Mondal, 2015). In line with previous research, that business group companies transfer capital internally to companies in the group to avoid default on their debts (Gopalan et al., 2007).

Table 5 show the results of the regression above based on the coefficient β_1 , namely the loss of investor shares before the issuance of the rights issue, it can be concluded that H0 is rejected when viewed from the three-year period before the issuance of the RI for the entire company without distinguishing the purpose of the company issuing the RI, which means that the investors in the company issuing the rights issue experience relatively large changes in ownership in the year before the issuance of the rights issue so that the company is more likely to conduct rights issues in the following years. However, this does not apply to companies when distinguished from the purpose of issuing rights issues. This is consistent with previous research that the loss of shares experienced by investors will affect the company's intention to issue a rights issue (Jetley & Mondal, 2015).

Table 4. Regression Model 1 Results

Dependent Variable: Delta Change Share						
Independent Variable:	Sub Model 1		Sub Model 2		Sub Model 3	
	B	Sig.	B	Sig.	B	Sig.
Constant	0.8481	0.0021	0.9758	0.0000	0.9953	0.0000
Ln Asset t-1	-0.0264	0.0042**	-0.0323	0.0000***	-0.0331	0.0000***
Ln DER t-1	0.0087	0.2416	0.0102	0.1261	0.0096	0.1521
Right issue indicator	0.0747	0.0469**	-0.7835	0.0000***	-0.7854	0.0000***
Tax Indicator	-0.0552	0.0489**	-0.0396	0.1396	-0.0381	0.1632
ROE t-1	-0.0150	0.1832	-0.0141	0.1747	-0.0152	0.1553
Indicator for Indonesian Business Group Firm			0.0314	0.6737	0.0399	0.6063
Interaction between Business Group and Rights Issue			0.8789	0.0000***	0.8793	0.0000***
Agriculture					0.0032	0.9600
Service					-0.0141	0.5899
Observation		180		180		180
Adjusted R-squared		0.1081		0.2382		0.2300

* represents significance of coefficient at the 10% level. ** represents significance of coefficient at the 10% level. *** represents significance of coefficient at the 1% level

Source: Processed Data, 2023

However, H0 failed to be rejected when viewed from the 3-year period prior to the issuance of the RI for specific and non-specific companies and for the entire company as well as when distinguished from the purpose of issuing the rights issue in the one-year period prior to the issuance of the RI. Where the loss of shares of the company's investors did not really impact the company's intention to issue a rights issue in the following years. In accordance with previous research, that RI with long-term objectives does not pay attention to investor losses in the year before RI, because investor stock losses are considered a fixed risk for the company (Sedianingtias, 2022).

From the regression results of the β_1

coefficient, namely the loss of investor shares >-3% for three years before the issuance of the rights issue, it can be concluded that the H0 hypothesis failed to be rejected because companies where investors have experienced absolute losses, are not more motivated to use rights issues with the aim of trying to increase shares. investors, seen from the loss of investor shares > -3% during t-3 with the type of capital expansion and selling activities. This is in accordance with research, that RI with long-term objectives or for investment does not pay attention to investor losses in the year before RI, because losses to investor shares are considered a fixed risk for the company (Sedianingtias, 2022).

Table 5. Companies' Intention

Dependent Variable: Indicator for rights issue by a firm												
Independent Variable:	Sub Model 1						Sub Model 2					
	Overall		Non-specific		Specific		Overall		Non-specific		Specific	
	B	Sig.	B	Sig.	B	Sig.	B	Sig.	B	Sig.	B	Sig.
Constant	18.1739***	-	15.3991*	-	12.7571	-	15.6414***	-	14.3449*	-	3.2733	-
	[3.4000]		[1.9100]		[1.8100]		[2.8600]		[1.6900]		[0.5000]	
Share loss >-3% in the 3-year period leading up to right issue indicator	1.2678**	0.1840*	1.0057	0.0687	-0.2965	-0.0086	-	-	-	-	-	-
	[2.1400]	(1.7300)	[1.3900]	(1.0600)	[-0.1900]	(-0.1800)						
Change share	-	-	-	-	-	-	1.5048	0.1643	0.7484	0.03659	8.8754	0.0055
							[1.1200]	(1.0800)	[0.4700]	(0.4600)	[1.8800]	(0.2500)
Ln Asset t-1	-0.6692***	-0.0692***	-0.5912**	-0.0281**	-0.3841	-0.0106	-0.5791***	-0.0632***	-0.5500*	-0.0268*	-0.1337	-0.0000
	[-3.6300]	(-4.1500)	[-2.1500]	(-2.0300)	[-1.5000]	(-0.0203)	[-3.0900]	(-3.3500)	[-1.9000]	(-1.7600)	[-0.6300]	(-0.2500)
Ln DER t-1	0.3304**	0.0341**	0.6753***	0.0321**	0.1195	0.0033	0.36681**	0.0400**	0.7293***	0.0356***	-0.9586	-0.0005
	[2.1000]	(2.1000)	[2.9000]	(2.4300)	[0.4600]	(0.37)	[2.0600]	(2.1800)	[2.8600]	(2.7300)	[0.8800]	(-0.2900)
ROE t-1	0.1038	0.0107	0.2137*	0.0101*	-8.3802*	-0.2325*	0.14423	0.0157	0.2656**	0.0129*	-23.1305	-0.1433
	[1.0100]	(1.0000)	[1.8600]	(1.6400)	[-1.7200]	(-0.7700)	[1.3200]	(1.3300)	[2.1300]	(1.9500)	[-1.6400]	(-0.2700)
Agriculture	-0.5664	-0.0478	0.9699	0.0705			-0.7787	-0.0647	0.8682	0.0619		
	[-0.7200]	(-0.8700)	[1.0400]	(0.7400)			[-0.9300]	(-1.2200)	[0.9300]	(0.6800)		
Service	-0.2450	-0.0250	-0.1509	-0.0071			-0.0686	-0.0074	-0.1156	-0.0056		
	[-0.4700]	(-0.4900)	[-0.2400]	(-0.2500)			(-0.1500)	(-0.1500)	[-0.1800]	(-0.1900)		
Observation		180	161			19		180		161		19
Prob-F		0.0011	0.0000	0.2138				0.0081		0.0002		0.0012
Pseudo R-squared (Nagelkerke R Square)		0.2731	0.2362			0.7845		0.2524		0.2187		0.8558

* represents significance of coefficient at the 10% level. ** represents significance of coefficient at the 5% level. *** represents significance of coefficient at the 1% level

Source: Processed Data, 2023

Table 6. Companies' Intention Based on Investors' Activites

Dependent Variable: Indicator for rights issue by a firm						
Independent Variable:	Overall		Non-specific		Specific	
	B	Sig.	B	Sig.	B	Sig.
Constant	16.921*** [3.2700]		15.0566* [1.8900]		45.4217 [1.1400]	
>-3% Cap exp indicator	0.3553 [0.3500]	0.0439 (0.3100)	-0.1120 [-0.1200]	-0.0052 (-0.1300)	-	-
>-3% Selling indicator	0.2348 [0.2900]	0.0277 (0.2700)	-	-	-1.1654 [-0.4700]	-0.8361 (-0.5200)
Ln Asset t-1	-0.6204** [-3.4900]	-0.0680*** (-3.8100)	-0.5728** [-2.1200]	-0.0282* (-1.9400)	-1.3629 [1.0700]	-0.0668 (-1.1400)
Ln DER t-1	0.3793** [2.2000]	0.0415** (2.3100)	0.7336*** [2.9700]	0.0362*** (2.7100)	0.3365 [1.1500]	0.0165 (0.5500)
ROE t-1	0.1185 [1.1300]	0.0130 (1.1400)	0.2497** [2.1900]	0.0123** (1.9700)	-3.4102 [-1.3300]	-0.1672 (-1.0000)
Agriculture	-0.6739 [-0.8300]	-0.0583 (-1.0500)	0.8528 [0.9100]	0.0610 (0.6700)	-	-
Service	-0.0711 [-0.1500]	-0.0077 (-0.1500)	-0.0934 [-0.1500]	(-0.0045) (-0.1600)	-3.2832** [-2.2400]	-0.2234* (-0.7700)
Observation		180		161		19
Prob-F		0.0033		0.0001		0.1812
Pseudo R-squared		0.2354		0.2356		0.7847

* represents significance of coefficient at the 10% level. ** represents significance of coefficient at the 10% level. *** represents significance of coefficient at the 1% level

Source: Processed Data, 2023

When viewed from the coefficient γ_9 , which is the purpose of issuing a rights issue, H0 fails to be rejected where the issuance of a rights issue which has a non-specific objective does not have a stronger impact on changes in investor share ownership > 5% in the

company. This is in accordance with previous research which states that in Indonesia, non-specific companies with unclear objectives do not affect changes in investor share ownership (Nugraha & Daud, 2003).

Table 7. Investors' Share Change >5%

Dependent Variable: Indicator for >5% Investors's Change						
Independet Variable:	Sub Model 1		Sub Model 2		Sub Model 3	
	B	Sig.	B	Sig.	B	Sig.
Constant	-11.6730 [-1.5200]		-12.4550 [-1.4300]		-9.4327 [-1.1400]	
Ln Asset t-1	0.2934 [1.1900]	0.0135 (1.1800)	0.3322 [1.0700]	0.0141 (1.1700)	0.1878 [0.6100]	0.0031 (0.4500)
Ln DER t-1	2.1231** [1.9800]	0.0978* (1.9200)	2.0861** [2.1700]	0.0885* (1.7200)	2.6026** [2.5700]	0.0438** (1.1100)
ROE t-1	-1.4155 [1.2000]	-0.0652 (-0.9600)	-1.5700 [-1.2500]	-0.0667 (-0.9900)	-3.8625** [-1.8800]	-0.0650* (-1.200)
Reason	0.1860 [0.1500]	0.0085 (0.1400)	0.2762 [0.1600]	0.0117 (0.1600)	0.4838 [0.3000]	0.0082 (0.3100)
Disc	4.3529** [2.2000]	0.5036** (2.1000)	4.3986*** [2.7600]	0.4902* (1.9100)	6.0931*** [4.0300]	0.5510** (2.4900)
Investor Shareholder 15 - 25%			-0.4560 [-0.2400]	-0.0217 (-0.2200)	1.1082 [0.5700]	0.0146 (0.7200)
Investor Shareholder >25%-45%			-0.3843 [-0.1500]	-0.0154 (-0.1600)	-0.4151 [-0.2100]	-0.0065 (-0.2200)
Group					-	-
Agriculture					-	-
Service					-2.8586 [-1.5600]	-0.0533 (-1.4900)
Observation		30		30		30
Prob-F		0.1696		0.1070		0.0124
Pseudo R-squared		0.3672		0.7816		0.8249

* represents significance of coefficient at the 10% level. ** represents significance of coefficient at the 10% level. *** represents significance of coefficient at the 1% level

Source: Processed Data, 2023

CONCLUSION

From this research, it can be concluded that (1) Rights issuing companies experienced greater changes in investor share ownership compared to non-RI issuing companies in the same year. (2) Rights issuing companies that are part of a business group experience

greater changes in investor share ownership compared to stand alone rights issuing companies. (3) Rights issuing companies experienced relatively large changes in investor ownership, namely >3% in the year prior to the issuance of the rights issue, thereby increasing the company's intention to issue rights in the following year. (4) Companies where investors

have experienced losses of more than 3% in the three years prior to the issuance of RI either because the investors are selling or capital expanding, do not increase the company's intention to issue rights. (5) Non-specific objectives rights does not have a stronger impact on changes in investor's share ownership of >5% in the company in the following year. Suggestions that can be given are (1) The government can issue regulations related to CA to avoid the impact of CA such as the impact on share prices in the market, and corporate governance itself in the market. (2) Companies listed on the Indonesian stock exchange must improve their company's performance so that investors who buy shares are long-term oriented investors. This enables to increase the price value of shares. (3) Companies need to explain more about the purpose of issuing rights, since it was found that several companies lacked detail in conveying the need for funds to issue rights. (4) Future research is expected to develop research by expanding the range of research, developing variables that might influence CA, and extending industry categories in Indonesia not only divided into three categories.

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